

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 OPIC-03 ERDA-05 AID-05  
CEA-01 CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01  
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01  
PM-05 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00  
ACDA-07 XMB-02 AGRE-00 FRB-03 LAB-04 PA-01 ITC-01  
PRS-01 SAB-02 /116 W  
-----031914 011735Z /44

R 011551Z AUG 77

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2976

PANCANAL

USSOUTHCOM

C O N F I D E N T I A L SECTION 1 OF 2 PANAMA 5466

DEPT PASS ELLA HAWKINS, INSURANCE DIV/OPIC

EO 11652: GDS

TAGS: ENRG

SUBJECT: PANAMANIAN TRANSSHIPMENT FACILITY FOR ALASKAN OIL

REF (A) PANAMA 5263; (B) STATE 148198

SUMMARY: GOP IS EXPECTED TO APPROVE SOON PETRO TERMINAL S.A.,  
GOP/NORTHVILLE'S \$42 MILLION-CRUDE OIL STORAGE AND TRANS-  
SHIPMENT TERMINAL TO BE CONSTRUCTED NEAR PUERTO ARMUELLES.  
THIS IS SCHEDULED FOR OPERATION OCT. 1979. MEANWHILE, PETRO  
TERMINAL ARRANGING FOR EXCLUSIVE LIGHTERING TRANSSHIPMENT FACIL-  
ITIES OFF THE COAST OF CHITRE VERY SHORTLY AND SOHIO WILL BE ITS  
FIRST CUSTOMER. NORTHVILLE STILL HOPEFUL EXXON WILL ALSO AGREE  
TO USE THESE FACILITIES. NORTHVILLE MOST OPTIMISTIC AS TO  
VIABILITY OF ITS PROJECTED VENTURE WITH GOP FOR BOTH SHORT  
AND LONG TERM PROSPECTS. END SUMMARY.

1. COMM COUNSELOR DISCUSSED SUBJECT WITH MENDEL GRYNSTEJN,  
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NORTHVILLE'S VP AND CHIEF OPERATING OFFICER, EVENING JULY 29.  
FOLLOWING REPORT DRAWN FROM A SERIES OF QUESTIONS ASKED BY  
COM COUNSELOR:

2. BEGIN UNCLASSIFIED: ON JULY 28, GRYNSTEJN ATTENDED  
MEETING AT PUERTO ARMUELLES BETWEEN REPS GOP AND CHIRIQUI  
LAND CO. (UNITED FRUIT) LABOR UNION. THE MEETING WAS

CHAired BY ADOLFO AHUMADA, MIN LABOR AND SOCIAL WELFARE, WHO REPORTED THE FORMATION OF "PETRO TERMINAL S.A." TO OPERATE GOP/NORTHVILLE PROJECTED ON-SHORE CRUDE OIL STORAGE/TRANSSHIPMENT TERMINAL AND ITS IMPACT ON PANAMA'S ECONOMIC DEVELOPMENT. THE MINISTER ALSO EXPOUNDED ON OPPORTUNITIES FOR LABOR IN CHIRIQUI PROVINCE AND ASSURED THE GATHERING THAT GOP HAD TAKEN APPROPRIATE MEASURES TO PREVENT ANY WATER CONTAMINATION FROM OIL SPILLS IN THE AREA. THE FOREGOING WAS ALSO REPORTED BY LOCAL PRESS. END UNCLASSIFIED.

3. AGREEMENT ON SUBJECT VENTURE REACHED JULY 29 AND EXPECTED TO BE RATIFIED--FOLLOWING GENERAL TORRIJOS' APPROVAL--BY GOP'S LEGISLATIVE COMMISSION ON OR ABOUT AUGUST FOURTH. PETRO TERMINAL'S REGISTERED CAPITAL WILL BE BETWEEN \$3 AND \$4 MILLION. NORTHVILLE WILL OPERATE VENTURE AND OWN 75 PER CENT SHARES AND GOP WOULD HAVE RIGHT TO PURCHASE ADDITIONAL EQUITY OVER SOME UNDEFINED PERIOD AT A FIXED PRICE STILL TO BE DETERMINED. PETRO TERMINAL WILL SHARE LOCAL OFFICE PREMISES JOINTLY OCCUPIED BY CONSTRUCTION COMPANIES: TELLESPEN, HOUSTON, TEXAS AND WALLACE, PASCAGOULA, MS. PANAMANIAN NATIONAL WILL BE ITS MANAGER FOR THE TIME BEING. TOTAL COST SUBJECT VENTURE ESTIMATED AT \$42-45 MILLION. BECAUSE OF TIGHT IMPLEMENTATION SCHEDULE SUBJECT MAJOR PROJECT, NORTHVILLE--ACTUALLY AN OIL DISTRIBUTION AND STORAGE COMPANY--IS ACTIVELY NEGOTIATING WITH JAPANESE, CONFIDENTIAL

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TELLEPSSEN/WALLACE AND OTHER INTERESTED PARTIES FOR CONSTRUCTION, FINANCING AND POSSIBLE EQUITY PARTICIPATION ON CONTRACT BASIS.

4. THE NEAR PUERTO ARMUELLES ON-SHORE CRUDE OIL STORAGE AND TRANSSHIPMENT COMPLEX--BARRING UNFORESEEN DELAYS--IS SCHEDULED FOR COMPLETION OCTOBER 1979. IT WILL INCLUDE INITIAL WORKING STORAGE CAPACITY OF 2.4 MILLION BARRELS, PLUS BUNKERING, DEBALLASTING FACILITIES AND AUXILIARIES. COMPLEX WILL COVER A FENCED AREA OF ABOUT 500 ACRES AND LABOR FORCE NOT EXPECTED TO EXCEED 350. IN THE MEANTIME, PETRO TERMINAL ARRANGING FOR LIGHTERING TRANSSHIPMENT FACILITIES AT BAHIA DE PARITA, ABOUT 10 MILES OFF-SHORE FROM CHITRE IN LOS SANTOS PROVINCE.

5. PETRO TERMINAL'S FIRST CUSTOMER, SOHIO AND ITS ASSOCIATE, BRITISH PETROLEUM, IS EXPECTED TO ANCHOR WITHIN THE NEXT TWO WEEKS A 263,000-TON-CAPACITY CRUDE CARRIER ACTING AS FLOATING TANK FARM. EXXON YET TO RESPOND TO NORTHVILLE'S OFFER FOR EXCLUSIVE TRANSSHIPMENT SERVICES (REF A), PENDING THE OUTCOME OF ITS OWN MARKET SURVEY. HOWEVER, NORTHVILLE STILL HOPEFUL FOR EXXON'S PARTI-

CIPATION WITHIN THE NEXT FOUR WEEKS.

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C O N F I D E N T I A L SECTION 2 OF 2 PANAMA 5466

6. NORTHVILLE BELIEVES SUBJECT VENTURE WILL PROVIDE EFFICIENT AND ATTRACTIVE METHOD OF MOVING SURPLUS ALASKAN CRUDE TO U.S. GULF AND EAST COAST REFINERIES. THEREFORE, IT IS MOST OPTIMISTIC FOR BOTH SHORT AND LONG TERM PROSPECTS. NORTHVILLE BELIEVES THAT SUBJECT ENTERPRISE COULD PAY OFF BY END OF 1979, SINCE SOHIO IS NOT EXPECTED TO GET ITS CALIFORNIA-TEXAS PIPELINE PROJECT APPROVED AND COMPLETED BY 1982. THE MORE DELAY IN THIS PROJECT, THE GREATER THE PROFITABILITY OF GOP/NORTHVILLE ON-SHORE VENTURE. WITH RESPECT TO LONG TERM POTENTIAL, ITS VENTURE WOULD ALSO IMPROVE THE ECONOMICS OF SHIPPING INDONESIAN AND MIDDLE EAST CRUDES TO U.S. REFINERIES LACKING DEEP-WATER PORT FACILITIES, NORTHVILLE CONTENDS.

7. ON NORTHVILLE'S APPLICATION FOR OPIC INSURANCE CONTRACT, NORTHVILLE HAS REQUESTED AN EXTENSION OF THIS REGISTRATION, DATED JANUARY 12, 1977.

8. GRYNSZTEJN DEPARTED JULY 30 AND INDICATED HE WILL RETURN IN TWO WEEKS. HE MENTIONED NORTHVILLE'S LEGAL  
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ADVISOR, TED SORENSEN EXPECTED TO FOLLOW HIM A WEEK LATER.  
NORTHVILLE'S LOCAL LEGAL REPRESENTATIVE IS JAIME A. ARIAS C.,  
OF LAW FIRM GALINDO, ARIAS AND LOPEZ. MR. GRYNSZTEJN RE-  
QUESTED THAT INFORMATION FURNISHED BY HIM BE KEPT CLASSIFIED  
AS NOTHING MADE PUBLIC BY GOP.

9. FYI: GRYNSZTEJN DUTCH CITIZEN OF POLISH ORIGIN  
AND RESIDENT OF LONG ISLAND, NY. BEEN WITH NORTHVILLE  
FOR PAST SIX YEARS. PREVIOUSLY WORKED FOR FOREIGN  
COMPANIES IN VENEZUELA.  
JORDEN

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009